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Grassley Bill Stops Government Contracts for Expatriated Companies

WASHINGTON -- Sen. Chuck Grassley, ranking member of the Committee on Finance, today introduced legislation to bar the award of federal contracts to companies that create phony foreign "headquarters" to escape U.S. taxes.

"These corporations flee the United States to save millions in taxes, and then come back into the United States to get fat contracts with the federal government," Grassley said. "Imagine the nerve. They create phony foreign headquarters in a file folder or a mail box to escape taxes and then use other peoples' taxes to turn a profit. That's really something -- something we need to stop."

Grassley introduced the *Reclaiming Expatriated Contracts and Profits (RECAP) Act* with Sen. Max Baucus, chairman of the Committee on Finance, as the original co-sponsor. The bill complements their earlier legislation, the *Reversing the Expatriation of Profits Offshore (REPO) Act*, to shut down corporate inversions. That bill passed the committee in June and is awaiting full Senate consideration as part of a pending bill to increase charitable giving.

Grassley was the first senator to disclose that inverting corporations receive federal contracts, in March of this year. The RECAP Act bars future corporate inverters from ever receiving federal contracts. For those companies that already have inverted, the RECAP Act makes them send back their ill-gotten tax savings by forcing them to lower their bids to obtain government contracts. These inverters will have to lower their bid by 10 percent to be competitive, which will level the playing field for federal contractors that loyally stay and pay in the United States. The RECAP bill does not unwind federal contracts that were legal when entered into, and therefore, unlike other proposals, will not cause thousands of Americans to lose their jobs.

Grassley said he waited to introduce his legislation because of the committee system. He said he wanted the committees with jurisdiction over government contracts to act on this issue, but they have not. Instead, Grassley said, a series of politically motivated amendments have been offered in Congress that would be ineffective, easily evaded, and, if enacted, could cost thousands of Americans their jobs.

"I read in the paper last week that the defense appropriations conferees dropped one of those amendments rather than try to rewrite it," Grassley said. "I decided enough is enough. It's time for serious legislation on this issue."

According to an Oct. 1, 2002, analysis by the General Accounting Office, Tyco had more

than 1,700 contracts in 2001, worth over \$286 million. Accenture had contracts worth nearly \$279 million. Ingersoll Rand left the United States for Bermuda, where it reportedly pays less than \$28,000 a year to register its phony headquarters and receives \$40 million in U.S. tax savings. Ingersoll Rand had government contracts in 2001 worth \$36 million.

Grassley said he will work on this legislation in the next Congress if time runs out for consideration this year.